

The Challenge

U.S. interests in Panama include strengthening regional security, combating international crime, and supporting democracy. Security of the Panama Canal remains a priority. The United States and Panama are committed to deepening their trade relationship. Panama is a crossroads for international commerce, but also a center for illegal activity such as drug trafficking, money laundering, trafficking in arms, and illegal immigration. Refugees and incursions by insurgents from Colombia's civil conflict pose additional challenges. USAID programs contribute to the smooth transit of world commerce through the Canal, trade competitiveness, transparency and accountability in government, a strengthened justice system, and a reduced potential for cross-border conflict. Private and public capital is leveraged to support policy reforms, best practices, community participation, and strengthening civil society organizations for advocacy and holding government accountable.

Objectives, Sectors and Workforce

Mission Director (Acting): Kermit Moh

MCA Status: Not a Candidate

PEPFAR Focus Country: No

Provided or Received Services From Other Missions: Received

Program Budget (Appropriations by Objective)

525-006 Rural Community Development
525-021 Ruling Justly
525-022 Economic Freedom

Country Total

FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07	2005 SO Performance Score	Direct SO Admin. Cost Ratio
0	750	0	0	N/A	0.95	Met
1,000	2,226	990	0	N/A		0.39
5,622	5,125	4,335	3,180	-43.4%	1.39	Exceeded
6,622	8,101	5,325	3,180	-52.0%		0.34

Program Budget (Appropriations by Account)

Development Assistance
Economic Support Fund

Total

FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07
5,622	5,125	4,335	3,180	-43.4%
1,000	2,976	990	0	N/A
6,622	8,101	5,325	3,180	-52.0%

Program Budget by Sector and Account

Agriculture and Environment DA
Economic Growth DA
ESF
Democracy and Governance ESF

Total

FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07
5,122	4,279	4,137	3,180	-37.9%
500	846	198	0	N/A
0	750	0	0	N/A
1,000	2,226	990	0	N/A
6,622	8,101	5,325	3,180	-52.0%

Workforce

US Direct Hires
US Non Direct Hires
Foreign Nationals

Total

FY 2004	FY 2005	FY 2006	FY 2007	Percent Change FY 04-07
2	2	2	2	0.0%
2	3	3	0	N/A
22	26	26	17	-22.7%
26	31	31	19	-26.9%

Operating Expense

Salaries and benefits
Travel
Transportation of things
Rent
Security
Equipment
ICASS - Operating Expense only
Other Operating Expense
Total OE Budget
US direct hire salary and benefits
Program Funded Administrative Expenses
Country Total Administrative Budget
Percent of Bureau OE Total

FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07
463	471	401	287	-38.0%
71	70	62	46	-35.2%
17	32	23	4	-76.5%
121	93	112	112	-7.4%
9	11	12	15	66.7%
69	51	9	4	-94.2%
58	33	36	45	-22.4%
143	108	160	148	3.5%
951	869	815	661	-30.5%
298	176	275	305	2.3%
			1,628	
			2,594	
			1.6%	

Mission Summary	FY 2004	FY 2005	FY 2006	FY 2007
Program per US Direct Hire (\$000)	3,311	4,051	2,663	1,590
Program per All US (\$000)	1,656	1,620	1,065	1,590
Program per Position (\$000)	255	261	172	167
Operating Expense as % of Program Funding				20.8%
Program Funded Admin Expense as % of Total Admin				62.8%
Total Admin Expense as % of Program Funding				81.6%

Other Major Donors:

Bilateral: Spain and Japan.

Multilateral: Inter-American Development Bank (IDB), European Union (EU) and World Bank (IBRD).

Panama PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2004 Actual	FY 2005 Actual	FY 2006 Current	FY 2007 Request
Development Assistance	5,622	5,125	4,335	3,180
Economic Support Fund	1,000	2,976	990	0
Total Program Funds	6,622	8,101	5,325	3,180

STRATEGIC OBJECTIVE SUMMARY

525-006 Rural Community Development				
ESF	0	750	0	0
525-021 Ruling Justly				
ESF	1,000	2,226	990	0
525-022 Economic Freedom				
DA	5,622	5,125	4,335	3,180

Mission Director (Acting),
Kermit Moh

Data Sheet

USAID Mission:	Panama
Program Title:	Ruling Justly
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	525-021
Status:	Continuing
Planned FY 2006 Obligation:	\$990,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$0
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2008

Summary: USAID's program will: strengthen the rule of law by improving the justice system, facilitating citizens' access to justice, and assuring civil society participation in promoting judicial reforms; improve transparency and accountability in government by supporting reform of the legal framework for transparency, and by developing Panamanian capacity to curtail, investigate, and prosecute corruption cases; and strengthen citizen watchdog groups and promote ethical values in public and private institutions. The focus will be on improving transparency and accountability in government and strengthening civil society oversight through social audits. No resources will be allocated in FY 2007.

Inputs, Outputs, Activities:

FY 2006 Program:

Promote and Support Anticorruption Reforms: (\$990,000 ESF). Building upon USAID support in FY 2005 that helped operationalize the Government of Panama's (GOP) National Anticorruption Council (NAC) and subsequently, assisting in developing an anticorruption strategy, USAID is providing technical assistance and training to: reinforce the institutional capacity of the NAC, the Controller General's Office and the Public Ministry to curb corruption as well as investigate and prosecute corruption cases; design and develop monitoring systems to identify areas that are vulnerable to corruption; and deepen and widen civil society capacity to conduct social audits. The U.S. firm, Casals and Associates, is the principal contractor.

FY 2007 Program:

Promote and Support Anticorruption Reforms: No funding is budgeted for this activity in FY 2007.

Performance and Results: In FY 2005, USAID support to civil society led to: the signing of a State Pact for Justice and the creation of the Commission on Justice Reforms; and development of an agenda for reform of the justice system. Also, in FY 2005, USAID support to the NAC led to it becoming fully operational. Subsequently, the Council developed an anticorruption strategy which is pending approval by the Torrijos Cabinet.

By program completion, USAID expects that Panama will have progressed towards transparency and accountability. There will be no resources allocated in FY 2007.

US Financing in Thousands of Dollars

Panama

525-021 Ruling Justly	ESF
Through September 30, 2004	
Obligations	1,000
Expenditures	0
Unliquidated	1,000
Fiscal Year 2005	
Obligations	2,226
Expenditures	841
Through September 30, 2005	
Obligations	3,226
Expenditures	841
Unliquidated	2,385
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2006 NOA	
Obligations	990
Total Planned Fiscal Year 2006	
Obligations	990
Proposed Fiscal Year 2007 NOA	
Obligations	0
Future Obligations	0
Est. Total Cost	4,216

Data Sheet

USAID Mission:	Panama
Program Title:	Economic Freedom
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	525-022
Status:	Continuing
Planned FY 2006 Obligation:	\$4,335,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$3,180,000 DA
Year of Initial Obligation:	2004
Estimated Year of Final Obligation:	2008

Summary: The program focuses on increasing market competitiveness of Panama's private sector to be prepared to benefit from expanding trade and investment opportunities, and improving the management and productivity of critical watersheds, including the Panama Canal Watershed. Activities are designed to: 1) strengthen market competitiveness by building trade capacity, reducing legal constraints to doing business, and fostering market integration; and 2) support integrated sustainable management of critical watersheds. USAID works with the government and the private sector to promote policy and legal reforms, best practices, and environmentally sound approaches to watershed and protected areas management.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Sustainable Management of Natural Resources and Biodiversity:(\$4,137,000 DA). USAID is focusing on priority areas that protect the environment and create employment, while partners are starting to replicate the models demonstrated in previous years in other subwatersheds of the Panama Canal Watershed. USAID is also continuing to assist the partners with the formulation of policy reform to assure sustainability and replication of the joint efforts. The Mission is also continuing a partnership by buying into a USAID Central America and Mexico Regional Program and the Rainforest Alliance. The intent is to support a certification program to improve environment conservation for forestry and pineapple production. In protected areas within the Panama Canal Watershed, USAID will support technical assistance to encourage sustainable tourism. Activities include: policy reform, modifications of regulations, creation and implementation of new park administrative systems, and institutional strengthening to more effectively manage tourism. Also, technical assistance is helping authorities develop an environmental governance program for improving enforcement of environmental laws and regulations and participation by stakeholders in the management of key protected areas. These efforts require the formation of additional public-private partnerships to co-manage parks, promote ecotourism, and generate revenues for park maintenance. Principal contractor: Academy for Educational Development.

Increase Trade and Investment: (\$198,000 DA). USAID is focusing on funding short term technical assistance and training to build sector level capacity in support of increased exports and firm competitiveness. To this end, USAID supports demand led activities that enhance business development and provide business linkage support in key sectors with high potential to compete in the global economy. These include nonprotected agroindustry and teak, tourism services, and information technology. Principal contractor: Nathan Associates.

FY 2007 Program:

Improve Sustainable Management of Natural Resources and Biodiversity: (\$3,180,000 DA) USAID plans to support select policy reforms, participatory and practical approaches to watershed management, and activities in environmental governance. USAID expects to continue funding technical assistance in the above areas in the Panama Canal Watershed (PCW). USAID may use funds to further support the development of sound policies at the local level, strengthen the foundation for stable funding to support and maintain the integrity of the PCW, and put in place field-based validation of systems, processes, and

tools to improve management in the PCW. USAID intends to continue implementing activities that promote sound agriculture production and ranching enterprises, wastewater management, and clean industrial production. USAID also plans to fund technical assistance to build on-site capacity for improving the protection and management of protected areas. USAID anticipates continuing support of sustainable ecotourism services through public-private alliances. Additionally, it may support activities to develop clusters around tourist circuits, training of public officials, and private agents to better cater to the needs of tourists and better manage tourism activities. USAID aims to build on its successful experience with leveraging Panamanian private sector resources for new investments in tourism infrastructure. Implementers to be selected through a competitive process.

Performance and Results: In FY 2005, the results obtained under the Economic Freedom program included effective management and full disbursement of the \$5.0 million Incentive Fund. This Fund was established between the Panama Canal Authority and USAID in 2004 at a 1:1 ratio. It cofinanced demonstration activities in pilot subwatersheds within the Panama Canal Watershed. The results of these demonstration activities informed the decisions by government officials and key stakeholders which lead to policy reform for sustainable ranching and improved pasture management. This innovative cofinancing mechanism is a milestone achievement towards financial sustainability for environmental management. Twenty five demonstration activities are progressing smoothly, providing information for policy formulation and validating best practices, while encouraging active stakeholder participation. Another success of active stakeholder participation is demonstrated by the collaboration of the National Environmental Authority, nongovernmental organizations, and watershed community members who have agreed to a comanagement method for the Chagres National Park (using proceeds from a debt-for-nature swap that was completed in FY 2004), thereby making great strides toward establishing financial and environmental sustainability. Also, public-private alliances were forged successfully to foster current sustainable ranching and ecotourism initiatives.

By program completion, some progress will have been made in Panama's readiness to benefit from greater trade opportunities and investment flows.

US Financing in Thousands of Dollars

Panama

525-022 Economic Freedom	DA
Through September 30, 2004	
Obligations	5,348
Expenditures	39
Unliquidated	5,309
Fiscal Year 2005	
Obligations	5,120
Expenditures	3,143
Through September 30, 2005	
Obligations	10,468
Expenditures	3,182
Unliquidated	7,286
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2006 NOA	
Obligations	4,335
Total Planned Fiscal Year 2006	
Obligations	4,335
Proposed Fiscal Year 2007 NOA	
Obligations	3,180
Future Obligations	14,022
Est. Total Cost	32,005